STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Wisconsin Energy Corporation, Integrys Energy Group, Inc., Peoples Energy, LLC, The Peoples Gas Light and Coke Company, North Shore Gas Company, ATC Management Inc., and American Transmission Company LLC	)	
	)	Docket No. 14-0496
Application pursuant to Section 7-204 of the Public Utilities Act for authority to engage in a Reorganization, to enter into agreements with affiliated interests pursuant to Section 7-101, and for such other approvals as may be required under the Public Utilities Act to effectuate the Reorganization.	)	

REBUTTAL TESTIMONY OF KAREN WEIGERT

ON BEHALF OFTHE CITY OF CHICAGO AND THE CITIZENS UTILITY BOARD

CITY/CUB EXHIBIT 6.0

JANUARY 15, 2015

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I. QUALIFICATIONS AND SUMMARY OF TESTIMONY

Q. What is your name?

A. My name is Karen Weigert. I provided direct testimony in this proceeding (City/CUB Exhibit 2.0), filed with the Illinois Commerce Commission ("ICC" or "Commission") on November 20, 2014.

Q. What do you recommend in your rebuttal testimony?

A. I recommend that, if the Commission approves the reorganization proposed by the Joint Applicants ("JA"), it require the conditions I described in my direct testimony at lines 54-75. The JA provided no new information or data in rebuttal that cause me to change my belief that the following conditions are required to protect the interests of Illinois ratepayers (italicized language indicates new words or phrases to clarify the original recommendation). As a condition to any approved reorganization, the Commission should require the JA to:

- add $10 million in gas energy efficiency programming that is not funded by ratepayers of PGL or NS;
- not increase the fixed charge portions of PGL and NS natural gas delivery services for the length of any rate freeze established in this proceeding;
- issue a public report examining the costs and benefits of implementing energy efficiency programming through a third party rather than through the utilities;
- create, maintain, and offer an electronically accessible energy use database for aggregated, building-level energy use, similar to ComEd's EUDS;

- work with the City and academic researchers to create an updatable database of actual usage patterns for all ratepayers of PGL and NS; and

- change the On Bill Financing ("OBF") programs of both PGL and NS to open the program to more ratepayers and to fund a greater number of measures through the program.

II. GENERAL ARGUMENTS

Q. What is your response to the JA's argument that your proposals are not required to be addressed by the ICC in this proceeding?

A. I disagree. With respect to certain of my recommendations, the management philosophy and regulatory strategy of the proposed parent company may make a large difference in rate structures and rates that directly affect every Illinois ratepayer. For example, Wisconsin Energy Corporation ("WEC") has shown that it chooses to impose higher fixed charges where it can, thereby reducing the costs avoidable by customers who conserve.[1] This regulatory policy initiative has adverse consequences for ratepayers in the service territories of Peoples Gas Light & Coke Company ("PGL")and North Shore Gas Company ("NS"), (collectively, the "Gas Utilities"), and thus, the rates paid by the Illinois utilities' customers are directly implicated by the proposed reorganization. Even if they were not, although I am not an attorney, it is my understanding that Section 7-204 of the Public Utilities Act does not list *every* ratepayer interest that may require Commission action for protection. It appears that the Joint Applicants do not see energy efficiency as being in the interests of the utilities' ratepayers. The implementation of that apparent position through a reorganization is itself a concern directly related to Section 7-204.

[1] http://www.jsonline.com/business/psc-begins-consideration-of-we-energies-rate-hike-plan-b99390765z1-282726581.html.

To the extent that the JA are arguing, generally, that that parent company has little to no effect on the management or operational decisions regarding energy efficiency, I refer to Mr. Cheaks' more comprehensive review of the ways in which the existing and proposed parent Utilities do and will have an effect on decisions made by PGL and NS. City/CUB Ex. 7.0 at 3-6.

Specifically with respect to energy efficiency, once the Gas Utilities attain the Energy Efficiency Portfolio Standard ("EEPS") goals, which are currently set below statutory targets, if they have additional funding available, it is *discretionary* whether to use those funds to achieve additional savings and how to achieve those additional savings. In fact, in the past, PGL has exercised that discretion to stop funding energy efficiency programming once a reduced goal was met.[2] Given the possible magnitude of dollars at issue, it is highly likely that the new ultimate decision makers post-reorganization would likely be making these determinations that would directly affect the utilities' rates -- either by denying savings opportunities or incurring additional EE costs. This also highlights the fact that simply removing a disincentive to reduce gas consumption (e.g. Rider VBA) does not provide an affirmative incentive for the utility to act within its discretion to reduce gas consumption. Even if Plan Year 1 savings exceed the statutory goal, that is only evidence that the Gas Utilities could have spent more on energy efficiency and supports my initial proposal. Absent an affirmative ICC directive, Illinois ratepayers will likely receive fewer benefits associated with saving therms. Finally, energy efficiency is clearly within the scope of the

[2] http://www.icc.illinois.gov/downloads/public/edocket/381944.pdf.

Public Utilities Act ("PUA") when it comes to reorganization, as Integrys' own history proves. In the reorganization proceeding that approved the creation of Integrys Energy Group, the Gas Utilities agreed to "be required to propose to implement an energy efficiency program or programs." Final Order at 24, ICC Docket No. 06-0540 (Feb. 7, 2007).

Q. What is your response to the JA's argument that your proposals conflict with existing law on energy efficiency?

A. I disagree. I am not aware of any Commission order that prohibits a utility from engaging in voluntary energy efficiency or conservation efforts. Stakeholders have worked continuously, since at least the last Integrys reorganization proceeding, to show the Gas Utilities that, given current revenue stabilization riders, supplemental energy efficiency can benefit customers without harming utilities. Given the proposed installation of WEC's aggressive position disfavoring such actions, the reorganization may diminish the impact of Illinois' existing energy efficiency regime. This possibility would further lower the bar for a regime that already has consistently delivered fewer savings per dollar than originally enacted by the General Assembly.

Furthermore, the ICC has issued its own report making clear that the Commission has an active role, even in non-EEPS proceedings, to contemplate the effect on energy efficiency of its various orders. *See* ICC Report to the General Assembly Concerning Coordination Between Gas and Electric Utility Programs and Spending Limits for Gas Energy Efficiency Programs, August 30, 2013. The energy efficiency proposals put forth in my direct testimony are the types of considerations that the Commission should engage in while

determining whether protections for Illinois ratepayers are appropriate in any reorganization approval.

To the extent that the JA believe that the Gas Utilities are prohibited from spending more on energy efficiency than required by the EEPS, I believe they are wrong. It appears that the Joint Applicants are basing their positions on an interpretation of the PUA that reads Section 8-104 as an exclusive and comprehensive specification of the EE programs a utility may undertake. However, the law appears to me, as a non-lawyer, to relate only to program costs eligible for special recovery. I am unaware of any provision of Section 8-104 that bars energy efficiency programs outside that provision.

Q. What is your response to the JA's claim that existing energy efficiency programming is sufficient to protect the interests of Illinois ratepayers?

A. Again, in their testimony (and likely in future management decisions) the Joint Applicants do not see energy efficiency as a valuable part of its utility service, erroneously viewing any energy efficiency that is not ordered by the Commission, with costs automatically recovered through Section 8-104, as prohibited**.** Moreover, the City's proposal is not for additions to Section 8-104 expenditures, but for a shareholder contribution. Thus, even if Section 8-104 did establish some sort of cap on recoverable energy efficiency costs, it would not apply here. Such contributions are entirely discretionary with utility management and subject to Commission determinations.

In any case, even as to the reduced energy efficiency savings ordered by the Commission (for which the utilities have been receiving Section 8-104 recovery), in my opinion, the "full measure" of savings is still determined by the General Assembly.

III. RESPONSE TO JA REBUTTAL TESTIMONY

Q. What is your response to the JA's refusal to cap fixed charges during the pendency of any rate freeze required as a condition of approval in this proceeding?

A. As I have noted earlier, higher fixed charges appear to be favored by WEC and, without Commission action, may be imposed on Illinois ratepayers. Given the fact that Rider VBA is on appeal with the Illinois Supreme Court and could be invalidated, the possibility exists that, even during the pendency of a "Rate freeze" ordered by the Commission in this proceeding, the JA could seek permission from the Commission to impose fixed charges higher than exist today. In that event, without a Commission-required condition requiring PGL and NS to not further increase any fixed charges during the time period that any "rate freeze" is initially put into effect, Illinois ratepayers could suffer yet another increase in the charges they must pay before they use a single therm of gas.

Q. What is your response to the JA's refusal to agree to changes to PGL's On Bill Financing Program?

A. As is clear from past Commission order directly dealing with PGL's OBF and energy efficiency programming, the ICC has jurisdiction over PGL's OBF program. ICC Docket Nos. 11-0689, 13-0550. In fact, the JA agree that, even under their current contract with the

OBF financier, the Gas Utilities "could seek to change the financing entity for its On-Bill Financing … program, as the current agreement can be terminated for convenience on 30 days' notice and payment of all note loan obligations." JA Ex. 4.1 (JA DRR to City 10.27). Even with the current financier, and although I have not viewed the confidential agreement itself, my experience suggests that it is the utility who provides any credit score used in the Loan Underwriting Guidelines. If not, the JA should provide the text of the section that requires the utility to use the credit scores used in PGL's current OBF program. Moreover, even under the contract with the current financier, I know the JA have changed the list of measures that are eligible to be financed. Thus, I see no reason why the credit score eligibility criteria could not also be changed. Finally, the JA admitted that the current financier is also contracting with Ameren Illinois, who is known to be piloting the use of bill payment history rather than credit scores as I suggest in my direct testimony. If Ameren Illinois is contracting with the same entity that the Gas Utilities are, there should be precedent for making the change I suggest.

Q. What did you mean when you stated in your direct testimony that Integrys' commitment to energy efficiency "has proved to be worth very little"?

A. Given that the costs for the $7.5 million worth of energy efficiency programming was collected from the Gas Utilities' ratepayers, it was not an incremental or additional injection of energy efficiency savings from an outside entity. Of course, the context for this reorganization is different than the earlier proceeding in which Integrys' reorganization was approved. The energy efficiency commitment made in that docket was in the context of a

corporation moving its headquarters to Illinois, whereas in the instant docket the context is the opposite situation. In addition to the different factual circumstances, the need for the Commission to ensure additional energy efficiency programming is even more apparent because the proposed acquiring company has shown a propensity to increase fixed charges on captive ratepayers.

Q. How do you respond to the JA's claims about decoupling?

A. First, even with Rider VBA intact, the Joint Applicants have never addressed nor rebutted the clearly pertinent observation that demand drives additional investment in the gas distribution infrastructure. That type of investment is the type on which the utility earns a mandated return, not expenses for energy efficiency programs. That type of investment thus is the driver of utility financial performance. That dynamic is not removed by Rider VBA.

Second, even if Rider VBA achieves full decoupling, removing a disincentive against lowered consumption is not the same as incentivizing additional energy efficiency. Replacing a recalcitrant Integrys with a hostile WEC (fixed charges, adamant opposition to anything other than what is mandated, singular focus on utility recovery) could be harmful to implementation of Illinois energy efficiency policy.

Q. What do you think about the reasons given for the JA to refuse to agree to implement a more useable energy usage database?

A. To the extent that the JA's opposition is based on costs, I note that my original request was asking shareholders to fund needed IT improvements, not customers. Moreover, it is unclear

if automation would actually be more costly. The manual process in place today, which requires a user to wait up to a week for data, requires input, time, and effort of actual personnel. That manual process was developed as a short-term fix to an urgent municipal and customer priority, the process requires manual data request, aggregation, provision, and review. Additionally, as the City's Benchmarking Ordinance cover expands over time to cover hundreds of additional buildings in 2015 and 2016, the manual processes will become even more resource intensive. In contrast, an automated system would eliminate much of that time and effort. Furthermore, the manual system does not truly offer building-level gas use aggregation, as required by the City's Benchmarking Ordinance. Instead, it aggregates usage for multiple accounts served by the same natural gas service pipes such that buildings served by multiple service pipes face an additional task. Finally, I note that ComEd has implemented an automated process that integrates with the ENERGY STAR Portfolio Manager (a recognized industry-standard tool for energy performance tracking and reporting used in 10 different cities) and, without one for PGL, it will be harder for regulated entities to comply with the City's ordinance. This burden can be lessened or removed with a commitment to implement an automated solution.

Q. What do you think about the reasons given for the JA to refuse to study third-party implementation of energy efficiency programs?

A. While I am not an attorney, I believe the JA interpretation of Illinois' energy efficiency regime imposes a very restrictive interpretation that is not supported by the express language of the provisions. Even if fully decoupled, under the current structure, utilities lack any

incentive to go beyond their reduced goals, which fails to maximize the savings available from energy efficiency dollars. The numerous third-parties who are used by the JA to implement energy efficiency programming just illustrate that having third-parties make the funding decisions is not too big of a burden or too far of a stretch for the Gas Utilities.

Q. What do you think about the reasons given for the JA to refuse to commit to offer OBF for all EEPS measures?

A. Although PGL is "making a concerted effort," this may change at any time. The only way to assure the Commission and Illinois ratepayers that this "concerted effort" will materialize into clear favorable results is a Commission requirement to make such expansion permanent. Any gains made through stakeholder involvement with current management are at risk with new, out-of-state management. Making sure that available financing is maximized is an interest of the utility and its customers that requires Commission action to assure protection.